

# **E-Nnovation Initiative Fund Program**

## **ANNUAL STATUS REPORT**

Economic Development Article

SECTION 6-601

Submitted by:

Maryland Department of Commerce

January 1, 2016

## Overview

Pursuant to Section §6–601 *et seq.* of the Economic Development Article as amended (the “Act”), on or before January 1<sup>st</sup> of each year beginning in 2016, the Department of Commerce (the “Department”) shall submit a report on the implementation of the E-Nnovation Initiative Fund Program (the “Program”) to the Governor and, in accordance with § 2–1246 of the State Government Article, to the Senate Budget and Taxation Committee and the House Ways and Means Committee.

The Program became fully operational on July 1, 2014, and this is the first Annual Report. Section §6–623 of the Act requires information only with respect to the previous fiscal year, which in this case is the fiscal year ending June 30, 2015. This Annual Report includes activities for FY2015, plus activities which continued into FY2016.

The purpose and intent of the Program is to retain and recruit top university researchers and encourage collaboration among Maryland research universities, federal agencies and the private sector (especially entrepreneurial companies). The combination of top talent and collaboration can enhance the economic competitiveness of the State as it builds on existing clusters of research and innovation. This initiative gives Maryland a tremendous advantage in the intense global competition for the best minds in the world, and will provide opportunities, jobs and industries created by their work.

The Program leverages the impact of State funds through matching funds from private donors to universities. The legislation which created the program calls for an annual appropriation of \$8.5 million from FY2016 through FY2021.

Although there was no appropriation for FY2015, the work to establish the Authority began this year, creating the foundation for FY2016 funding.

## I. Formation of the E-Nnovation Initiative Fund Authority

The Program became effective on July 1, 2014 with the passage of the Act, and initially the primary focus of activity has been the formation of the Maryland E-Nnovation Initiative Fund Authority (the “Authority”). Pursuant to the Act, the following individuals were appointed as members of the Authority:

- Robert Hallenbeck (Chair), Vice President, Advanced Bioprocessing, BD Biosciences
- David Baggett, Founder and President, Arcode Corporation
- Dominick Murray, Secretary, Maryland Department of Business and Economic Development\*
- William E. (Brit Kirwan), Chancellor, University System of Maryland\*
- Thomas S. Dann, Managing Director of Equity Funds, Maryland Venture Fund\*
- Robert Rosenbaum, President & Executive Director, TEDCO\*
- John Wasilisin, Executive Vice President & Chief Operating Officer, TEDCO\*

\* appointed *ex officio*

Current members of the Authority include:

- Robert Hallenbeck (Chair), BD Biosciences (retired)
- David Baggett, Founder and President, Arcode Corporation
- R. Michael Gill, Secretary, Maryland Department of Commerce\*
- William E. (Brit) Kirwan, Designee of the Chancellor, University System of Maryland\*
- Robert Rosenbaum, President & Executive Director, TEDCO\*
- John M. Wasilisin, Executive Vice President & Chief Operating Officer, TEDCO\*
- Andrew Jones, Managing Director of Equity Funds, Maryland Venture Fund\*

\* appointed *ex officio*

Department staff and the Office of the Attorney General (“OAG”) provide administrative and legal support to the Authority. The Authority was formed in July, 2014 and conducted its first public meeting in August, 2014.

## **II. Meetings of the Authority**

The Authority’s initial efforts focused on obtaining input from the stakeholders among the State’s institutions of higher education. The Authority conducted several public meetings at which members of the public attended and were given the opportunity to express their views and participate in discussions among Authority members.

The public participation at these meetings included representatives from Johns Hopkins University, University of Maryland (College Park), University of Maryland (Baltimore), University of Maryland (Baltimore County), Goucher College, Maryland Institute College of Art, McDaniel College, Montgomery College, Morgan State University, St. Mary’s College Salisbury University, Towson University, and Washington College. Some of these colleges and universities also submitted written comments to the Authority with respect to the Program.

After taking input from stakeholders, the Authority continued with research on other states which have similar programs, including Georgia, Kentucky, South Carolina and West Virginia.

The Authority conducted 12 meetings in FY2015:

- August 26, 2014 – Review of legislation.
- September 26, 2014 – Stakeholder input; program design.
- October 10, 2014 – Learn the experience of the Georgia Research Alliance.
- November 3, 2014 – Stakeholder input; program design; legal issues.
- November 21, 2014 – Program design; legal issues; experience of other states.
- December 17, 2014 – Review of draft regulations.
- January 13, 2015 – Review of draft regulations.
- February 2, 2015 – Review of draft regulations.

- February 23, 2015 – Review of draft regulations; review of application evaluation criteria.
- March 23, 2015 – Review of draft regulations; review of application evaluation criteria.
- May 27, 2015 – Approval of regulations for publication.
- June 25, 2015 – Review and discussion of Round 1 applications.

The Authority conducted four meetings from July to December, 2015 (FY2016):

- July 17, 2015 – Continued review, discussion and approval of Round 1 applications.
- September 10, 2015 – Feedback and discussion of Round 1 applications with institutions.
- November 18, 2015 – Review, discussion and approval of Round 2 applications.
- December 3, 2015 – Continued review, discussion and approval of Round 2 applications.

### **III. Promulgation of Regulations to Implement the Act**

Regulations were drafted and a Proposed Action appeared in the Maryland Register on April 17, 2015 (Volume 42, Issue 8, page 615). No public comments were received by the May 18 deadline, and the Authority recommended adoption of the Final Action, and the Secretary of the Department approved the Final Action on May 27, 2015. The Final Action appeared in the Maryland Register on June 12, 2015 (Volume 42, Issue 12, page 763) and became effective on June 22, 2015.

### **IV. FY2016 Matching Fund Awards**

Activities which continued into FY2016 included the approval of matching funds to successful applicants. Eight awards were made to five different institutions. Six of the eight awards were made during the “Round 1” application process, with awards approved at the July 17 meeting. Two additional awards were made during the “Round 2” application process, with awards finalized at the December 3 meeting.

The Authority also approved amendments to two of the “Round 1” research endowment plans. One of these amendments concerned an award that was initially approved to support one endowed chair that was split to support a second endowed chair.

Johns Hopkins University  
3400 North Charles Street  
Baltimore, MD 21218

- Contact: Denis Wirtz, Ph.D., Vice Provost of Research
- Number of FY2016 Awards: 2
- Amount of FY2016 Awards: \$2,106,250

University of Maryland Baltimore  
220 Arch Street, 14<sup>th</sup> Floor  
Baltimore, MD 21201

- Contact: Bruce Jarrell, Ph.D., Senior Vice President and Chief Academic Officer
- Number of FY2016 Awards: 2
- Amount of FY2016 Awards: \$2,106,250

University of Maryland College Park  
4114 Samuel Riggs IV Alumni Center  
College Park, MD 20742

- Contact: Brian Darmody, Associate Vice President, Corporate and Foundation Relations
- Number of FY2016 Awards: 2
- Amount of FY2016 Awards: \$2,106,250

Morgan State University  
1700 East Cold Spring Lane  
Baltimore, MD 21251

- Contact: Cheryl Hitchcock, Vice President, Institutional Advancement and Executive Director, MSU Foundation
- Number of FY2016 Awards: 1
- Amount of FY2016 Award: \$1,000,000

Washington College  
300 Washington Avenue  
Chestertown, MD 21620

- Contact: John Seidel, Director, Center for Environment & Society
- Number of FY2016 Awards: 1
- Amount of FY2016 Award: \$1,000,000

As of December 2015 the first disbursements of Round 1 awards were still being processed. These funds should be disbursed in early 2016, with disbursements of Round 2 awards to follow.

## FY2016 Financial Summary

|                                    |              |
|------------------------------------|--------------|
| Budget Allocation                  | \$ 8,500,000 |
| Administrative Cost Allowance      | \$ 75,000    |
| Awards Made                        | \$ 8,318,750 |
| Projected Fund Balance (6/30/2016) | \$ 106,250   |

## V. Observations and Recommendations

### Supply and Demand

- The Authority notes that there was ample demand for the matching grants, and expects this demand to continue. Some applications had to be set aside and not considered once FY2016 funds were exhausted or the institution reached their 25% allowance. The Authority recommends continued level funding in future years.

### Impact on Private Donations

- The Authority is encouraged by the demand for matching funds in the first year. Anecdotal feedback from the institutions indicates donor excitement about the State's willingness to match private funding. Continued funding of the Program should continue to stimulate private, multi-million dollar donations to Maryland's colleges and universities.

#### Application

- Feedback from some applicants pointed out that some of the legislatively mandated questions in the application were redundant. The Authority agrees and intends to simplify and streamline the application in the next (FY2017) funding cycle.

#### Diversity of Awards

- The Authority is pleased to note that the awards and their recipients in the first year are characterized by significant diversity in demographics, geography, and fields of study. While large research-oriented universities garnered six of the eight awards, one award went to Morgan State University, a historically black institution, which will create its first *ever* endowed chair, while another award went to Washington College, a small, independent liberal arts college on the Eastern Shore. Fields of study funded by the Program include mathematics, cybersecurity, virtual reality, environment, water and public health, bioengineering, neurogenetics and human virology.